~~Lender Narrative~~
~~Section 232, Sub-Rehabilitation~~
~~Final Firm Submission~~

Lender Narrative – Substantial Rehabilitation
Section 232 – 2 Stage, Final Firm Submission

U.S. Department of Housing and Urban Development
Office of Healthcare Programs

OMB Approval No. 9999-9999
(exp. mm/dd/yyyy)

Public reporting burden for this collection of information is estimated to average 70 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. No confidentiality is assured.

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Final Firm Submission

<<Project Name>>
<<City>>, <<State>>

HUD Project No.: <<FHA Number>>

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Executive Summary

FHA Number: **<<FHA#>>**
Project Name: **<<Project Name>>**
Project Address: <<Project Address>>

City / State / Zip:	<<Project City, State, Zip>>
County:	<<Project County>>
Section of the Act:	**232**, New Construction

Unit Breakdown:

Room Type	Care Type	Beds	Units
Totals:			

Mortgage Amount:	**$0**	LTV:	0.0%	DSC:	0.00	LTC:	0.0%
Equity w/o IOD/WC:	$0	Term:	480 months	Interest Rate:	0.0%		
Equity w/ IOD/WC:	$0	Principal & Interest:	$ 0 per month				
Gross Income:	$ 0						
Effective Gross Income:	$ 0	Occupancy Rate:	0.0%				
Expenses & Repl. Res.:	$ 0	Expense Ratio:	0.0%				
Net Operating Income:	$ 0	Expenses per Bed:	$0				
Underwritten Value:	$ 0	Cap Rate:	0.00%	Per Bed:	$0		

Construction Contract:	$ 0	Off-Sites	Demolition Lump Sum
Total Construction Costs: *As reported on HUD-2328, Line 53, plus Offsites and Demolition Costs*	$		
Estimated Construction Start Date: *(First Year)*		Construction Period: *(#of months)*	
Architectural Contract:	$ 0	Multiply AIA ~~B181s~~Agreements	
Operating Deficit:	$ 0	Relocation escrow required:	$
Special Escrows, Etc:	$ 0	<<Identify, if applicable>>	

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	Year	**FTE's**	**Operating Revenues**	**SWB**
Operations - **Base Year**			$	$
Operations - Post Construction			$	$

<<Definitions:
Base Year: *Year before construction.*
Year*: First year of stabilized occupancy after completion of construction. (Example: for completion date of 6/1/13 plus "12 months for reaching stabilized occupancy"*, enter 2014.) * # Of Months reported on OHP's IOD spreadsheet, "Output-Summary Exhibit" tab.*
FTE's*: As reported on the "Staffing Schedule" - Exhibit in the Operations Section of the application checklist.*
Operating Revenues*: As reported on form HUD-92264, Section G. Line 3.*
SWB *(Salaries, Wages, Benefits): As reported on the "Staffing Schedule" - Exhibit in the Operations Section of the application checklist.>>*

Mortgagor: **<<Mortgagor Name>>**
Principal(s): <<Mortgagor Principals>>

Operator: **<<Operator Name>>** ☐ Operating Lease
Principal(s): <<Operator Principals>>

Parent of the Operator: **<<Parent of Operator Name>>**

Management Agent: **<<Management Agent Name>>**

Third Party Reports provided:

☐ Architecture/Cost Review	Conclusion is:	☐ Accepted as is.	☐ Modified by underwriter.
☐ Market Study *(if required)*	Conclusion is:	☐ Accepted as is.	☐ Modified by underwriter.
☐ Appraisal *(if required)*	Conclusion is:	☐ Accepted as is.	☐ Modified by underwriter.

Overview

<<Brief Summary/Overview of project>>

Summary of Amendment to Firm Commitment

Based on the updated processing of the loan application, the following is a summary of amendments to the firm commitment:

	Increase	Same	Decrease
Mortgage Amount:	______	______	______
Underwritten Value:	______	______	______
Loan-to-Value:	______	______	______
Debt Service Coverage:	______	______	______
Net Operating Income:	______	______	______
Total for All Improvements:	______	______	______
Total Development Costs:	______	______	______
Land Value:	______	______	______
Operating Deficit:	______	______	______

Provide an explanation of all changes below.

- Mortgage Amount Increase/Decrease – XXX
- Underwritten Value: XXX

- Loan to Value: XXX.
- Debt Service Coverage: XXX.
- Net Operating Income (NOI): XXX.
- Total for All Improvements: XXX.
- Total Development Costs: XXX.
- Land Value: XXX.
- Initial Operating Deficit: XXX.

Other Noteworthy Modifications to firm commitment: XXX

Labor Relations

Wage Decision Type: ☐ Residential ☐ Building (Commercial)
Wage Decision Number: ____________________ Mod #: __________
Wage Decision Modification Date: ____
# of Buildings: ____ # of Units __________
# of Stories: ____ # of self-contained units[1]: __________

Lenders Pre-Construction Conference Coordinator Information

Name: ____
Email: ____
Phone: ____

Mailing Address: ____

General Overview
XXX.

Sensitivity Analysis - Update

<<Provide an updated Sensitivity Analysis. At a minimum, the analysis is to answer the following questions:

If everything else under consideration remains the same (ceteris paribus), then
(a) How much can rental rates drop per month or resident day and provide 1.0 debt coverage?
(b) What occupancy rate is required to provide 1.0 debt coverage?
(c) How much can expenses increase per bed per year or resident day and provide 1.0 debt coverage?
(d) What sensitivities exist in the proposed census mix?
>>

[1] Self-contained means that the units contain both a kitchen/kitchenette and a bathroom. This criterion, in addition to the number of stories, affects whether the construction type will be "residential" or "building".

Lender Loan Committee

<<Provide brief narrative summary of loan committee, including: date held; information provided; any pertinent requirements / conditions of the loan committee to gain the committee's recommendation>>

Program Eligibility

<<Indicate if any changes have occurred that would affect the eligibility of the project.>>

Waivers

<<Identify and discuss any waivers received or requested>>

Special Underwriting Considerations

Key Questions

	Yes	No
~~1. Was an early commencement approved for this project?~~		
~~a. If there was an Early Commencement approval, were there any issues identified that need to be addressed in the firm commitment application?~~		
~~2.~~1. Will there be Accounts Receivable Financing affecting this project's income? (Operator; Parent of the Operator; Management Company; Mortgagor)		
~~3.~~2. Is the Mortgagor a Real Estate Investment Trust (REIT)?		
~~4.~~3. Is the Mortgagor a nonprofit or public entity AND are the nonprofit mortgage criteria utilized in the underwriting? (If yes, Operator must also be a nonprofit entity)		
~~5.~~4. Was an Underwriter Trainee involved in underwriting this transaction?		
~~6.~~5. Is a mortgage broker involved in this transaction?		
~~7.~~6. Does the underwriting include income from Adult Day Care?		
~~8.~~7. Will there be a ground lease?		
~~9.~~8. Is Accounts Receivable Financing involved with this transaction or the operator or the parent of the operator?		
~~10.~~9. Are there any Professional Liability Insurance issues that require special consideration or HQ review?		
~~11.~~10. Are any tax credits involved in this transaction?		
~~12.~~11. Are any secondary funding sources involved in this transaction?		
~~13.~~12. Is any real estate tax abatement or exemption included in the underwriting assumptions?		
~~14.~~13. Are there any special escrows or reserves proposed for this transaction?		
~~15.~~14. Are there any wetlands on the subject property?		
~~16.~~15. Is the subject property located in a 100- or 500-year flood hazard?		
~~17.~~16. Is the subject site suspected to be of any historical significance?		
~~18.~~17. Other than the aforementioned, are there any other environmental issues identified by the Phase I or lender's due diligence?		

	Yes	No
~~19.~~18. Other than the aforementioned questions, waivers and program eligibility requirements, are there any other issues that require special or a-typical underwriting consideration?	____	____
~~20.~~19. Do you, as the underwriter, recommend or request any HUD technical reviews of issues, exhibits, or third party reports related to this transaction?	____	____

If you answer "yes" to any of the above questions, please address below. Insert "N/A" in the No column if not applicable.

Identities-of-Interest

	Yes	No
1. Have you, as the Lender, identified any identities of interest on your certification?	____	____
2. Does the Mortgagor's certification indicate any identities of interest?	____	____
3. Do any of the certifications provided by Principals of the Mortgagor identify any identities of interest?	____	____
4. Does the Operator's certification indicate any identities of interest? (if applicable)	____	____
5. Does the Management Agent's certification indicate any identities of interest? (if applicable)	____	____
6. Does the General Contractor's certification indicate any identities of interest?	____	____
7. Does the HUD Addendum to the AIA ~~B181~~B108 of the Design Architect identify any identities of interest?	____	____
8. Does the lender know that, or have any reason to believe, that any of the assertions in the other Consolidated Certifications submitted herewith, are inaccurate or incomplete?	____	____

If you answer "yes" to any of the above questions, please address below.

Risk Factors

Key Questions

	Yes	No
1. If the project is proposing new construction of assisted living units, is the proposed mortgage higher than 75 percent of the underwriter's concluded value?	____	____
2. Is the debt service coverage of the loan less than 1.45?	____	____

If you answer "yes" to any of the above questions, please briefly address below.

Program Guidance (issued in Lender Email Blast on 2/6/09):

Given the difficult economic and fiscal environment nationally, the Department is requesting that HUD approved Mortgagees exercise caution in underwriting loans under the LEAN Section 232 programs for new construction and refinance transactions for assisted living facilities. For all Assisted Living Project LEAN mortgage insurance applications under Section

223(f), Section 232 new construction and substantial rehabilitation, and Section 241(a), HUD will require justification/mitigation if the underwritten debt service coverage ratio ("DSCR") is less than 1.45. Moreover, as was previously discussed with various lenders in June of 2008, for all LEAN mortgage insurance applications involving new construction of Assisted Living units, HUD will require justification/mitigation if the underwritten loan to value is greater than 75%.

The Department would consider, for example, a mitigating factor to be the inclusion of less expensive independent living units in the project or the presence of facility residents that are being provided with state or federal rental assistance subsidies. The Department's review of mitigating factors will focus on any project specific attributes that result in limiting project market risk or in reducing project financial risk. The Department will be reasonable and flexible in determining where justifiable circumstances or mitigating factors exist.

Additional Guidance on the Use of Project Capitalization Rates:

The Department would like to provide general guidance regarding the usage of capitalization rates for Assisted Living projects. HUD believes that the capitalization rate should be a true reflection of conditions in the marketplace and the specific risks associated with a project. The Department is particularly concerned with the use (in some cases) of an approximate "risk free" capitalization rate for Assisted Living projects. The Department is not mandating a minimum capitalization rate. However, HUD may require justification/mitigation on Assisted Living projects if the capitalization rate used by the appraiser appears not to fully account for specific project and market related risks. This capitalization rate issue should be fully discussed in the Lender Narrative of the LEAN Application.

The Department believes that, in most but not all economic environments, the following debt service constant formula (Debt Service Constant + FHA MIP) multiplied by 1.25 would reflect reasonable guidance for the "minimum" capitalization rate for a proposed project. HUD would expect that the market realities of each project would dictate the capitalization rate to be used, which may be higher than the minimum formula. HUD does not wish to impose requirements for determining the capitalization rate and will defer to the USPAP appraisal standards to provide the definitive guidance on this issue. The Department's guidance on capitalization rates is not mandatory and the Department understands that this guidance may not be as helpful as a guide when market and economic conditions are either highly optimistic or overly conservative and/or when the interest rate environment reflects unusually low or high project interest rates.

Example for calculating Cap Rate: 7% fixed interest rate plus the MIP of 50 basis points. {.0746+.50bp MIP=.0796*1.25=.0995 or 9.95%}. In this example, the minimum capitalization rate "guidance" is 9.95.

The revised guidance relative to the debt service coverage ratio, loan to value, and capitalization rates for assisted living projects *shall apply to any future application for mortgage insurance where an FHA Project Number is issued after February 6, 2009.* Alternatively, if the FHA number has not been issued but a project appraisal is underway, FHA will accept the lower DSCR of 1.3 for refinancing and 1.35 for new construction if an appraisal engagement letter was executed prior to February 6, 2009, and if appraisals using the lower DSCRs are finalized and provided to HUD prior to April 6, 2009. On projects that do not meet this revised guidance (where the FHA Project Number was issued on or prior to February 6, 2009) the Lender should provide a notification in the Check Transmittal Letter and Lender Narrative of the mortgage insurance application that provides for the discussion of the appraisal lender modifications.

Please note that the previous guidance on loan to value and debt service coverage on Section 232/223(f)'s for Skilled Nursing and Independent Living Facilities have not been revised.

Other Risk Factors
XXX.

Strengths

XXX

Underwriting Team

Lender

Name: ______________________________
Underwriter: ______________________________
Underwriter Trainee: ______________________________
Mortgagee #: ______________________________

Site Inspection Date: ______________________________
Inspecting Underwriter: ______________________________

Architectural Reviewer

XXX

Cost Analyst

XXX

Market Analyst

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Appraiser

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Project Description

Site

<<If unchanged from initial submission, state so, otherwise provide revised description>>

Neighborhood

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Zoning

☐ Legal Conforming ☐ Legal Non-Conforming ☐ Other

The subject site is zoned XXX by XXX. The zoning permits XXXX.

Utilities

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Improvement Description

Buildings

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Landscaping

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Parking

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Unit

Unit Mix

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Unit Features

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Services

<<If unchanged from initial submission, state so, otherwise provide revised discussion>>

Architectural Review

Date of Report: ____

Review Firm: ____

Reviewer: ____

Key Questions

	Yes	No
1. Are any drawings or specifications to be “deferred submissions”?	____	____
2. Does the architectural reviewer recommend any commitment conditions?	____	____
3. Are the plans and specification incomplete?	____	____
4. Is there an Identity-of-interest between the design architect and any other project participant (mortgagor, principal of mortgagor, operator, and general contractor)?	____	____
5. Are there Architectural Review comments that have NOT been incorporated into the plans and specifications?	____	____

If you answer “yes” to any of the above questions, please address below.

Architectural Overview

<< Provide narrative describing the architectural reviewers report and conclusions and if the lender’s underwriter concurs with the conclusions. Identify any modifications to the report conclusions and provide justification. Confirm if the review complies with the LEAN statement of work. Identify deliverables included in the application package. Include a narrative concerning key elements of the reviews, the appropriate HUD forms, and their correspondence with the design architect >>

Plans and Specifications

<< Discuss issues relating to plans and specifications. Confirm if they are completed and submitted with the application; or if not, what minor issues remain to be completed in the deferred submittal prior to closing, etc. >>

Building Codes and HUD Standards

<< Provide narrative indicating the architectural drawings and specifications were found to comply with local building code standards and Minimum property standards >>

Accessibility

Fair Housing Accessibility Guidelines (FHAG) / Uniform Federal Accessibility Standards (UFAS)

<< provide affirmative statement that the architectural reviewer confirmed that the plans are in conformance with FHAG and UFAS requirements. >>

Owner-Architect Agreement

<< Discuss Architectural Reviewers conclusions regarding compliance with HUD requirements. Indicate if the design architect is or is not providing supervision services. Provide affirmative statement that the architectural reviewer confirmed the agreement is a complete and correct ~~B181~~B108 including Amendment to AIA Document ~~B181~~B108 Standard Form Agreement between Owner and Architect for Housing Services. All design and inspection services must be accounted for in one or more AIA Document ~~B181~~B108 Agreements. >>

Construction Progress Schedule

<< Provide narrative discussion of the construction period as projected by the general contractor and project architect. Indicate if Architectural Reviewer agrees. Typically an updated Construction Progress Schedule that accurately reflects the month and date of construction start and completion will be needed prior to closing. >>

Survey

<< Discuss architectural reviewer's comments regarding the survey and if it is found in conformance to HUD standards. The document is found to meet HUD's requirements. >>

Soils Report

<< Discuss soils report related to HUD requirements. Discuss architectural reviewer's findings regarding the report and that structural design is in compliance with findings of the report. Indicate lender's agreement with the conclusions. >>

Conclusion

<< Indicate if the review architect has appropriately addressed all architectural aspects of the development and the firm commitment application >>

Cost Review

Date of Report: ______________________________

Review Firm: ______________________________

Cost Analyst: ______________________________

Key Questions

	Yes	No
1. Are there any variances in excess of 10% between the General Contractor's form HUD-2328 line items and the Cost Analyst's form HUD-92326?	____	____
2. Is the total reflected on the Cost Analyst's form HUD-92326 more than 10% higher or lower than the total cost breakdown on form HUD -2328?	____	____
3. Will any one subcontractor, material supplier, or equipment lessor be awarded more than 50 percent of the construction contract?	____	____
4. Will three or fewer subcontractors, material suppliers, or equipment lessors be awarded more than 75 percent of the construction contract in aggregate?	____	____
5. Does or will the Contractor have any identities of interest with any subcontractors, material suppliers, or equipment lessors?	____	____

If you answer "yes" to any of the above questions, please address below and provide justification.

Cost Overview

<<Make a statement similar to the following: "The cost reviewer performed a cost review of the proposed facility pursuant to Section 232 lean standards. The deliverables included in the application package include a narrative concerning the cost analysis, the appropriate HUD forms, and cost data. Overall, the cost analyst found the contractor's and mortgagor's cost estimates to be reasonable.">>

Construction Costs (form HUD-2328)

<< Discuss the cost analyst's review of the final forms HUD-2328 supplied by the contractor and owner after completing an independent cost analysis. Confirm the analyst found no front-loading in the final costs reflected in the HUD 2328 submitted. Indicate the analyst completed the FHA forms 2326 in accordance with HUD guidelines and the forms are included in the appropriate section of the application package.

Provide a breakdown of the costs from the form HUD-2328, Contractor's and/or Mortgagor's Cost Breakdown, included in the application package. The form totals $X,XXX,XXX and is summarized as follows:

Complete this table or provide equivalent detail

Description	Cost	% of Contract	Per Sq ft of GBA	Per Bed
Structures				
Accessory Structures				
Land Improvements				
General/Requirements				
Builder's Overhead				
Builder's Profit				
Contractor's Other Fees				
Bond Premium				
Total Construction Contract				

General Requirements

<u>Guidance</u>:
The cost for General Requirements will include the costs for those items incurred in the construction of the project and directly pertaining to a specific project. It will not include general overhead expense of operating the contractor's home office. Items of cost to be considered in determining General Requirements allowance include, but are not limited to, items such as:

- Supervision

- Field engineering to provide grades and lines for locating buildings, streets and walks on the site.
- Field office, phones, office supplies and equipment, and clerical help
- Temporary sheds and toilets
- Temporary heat, water, light, and power for construction
- Cleaning and rubbish removal
- Watchmen's wages
- Medical and first aid facilities
- Temporary protection and fences

The contractor's estimate of general requirements totals $XXX. The Cost Analyst has determined that the proposed cost of the general requirements and the sub-items included in it are reasonable. The underwriter concurs.

2328 Other Fees – General Contractor

Guidance:
On HUD form-2328, Other Fees is reserved for fees and allowances not normally included in General Requirements. Such fees might be:

- Special engineering fees such as test borings not provided for by the project architect.
- Special taxes based on cost of the buildings, such as school taxes, utility taxes or assessments, excise taxes, tap fees, etc.
- Contractor's cost certification
- Building permits

The form HUD-2328 includes other fees to be paid the general contractor totaling $XXX . The other fees to be paid by the general contractor include the following:

Schedule of Other Fees included in Construction Contract

Line	Description	Amount
A	Survey	
B	Cost Certification	
C	Municipal Inspections	
D	Special Engineering Tests/Fees	
~~E~~	~~Special Taxes~~	
F	Permits	
G		
H		
I		
J		
TOTAL		**$ -**

Field Code Changed

Line	Description	Amount
A	Survey	
B	Cost Certification	
C	Municipal Inspections	
D	Special Engineering Tests/Fees	
E	Special Taxes	
F	Permits	
G		
H		
I		
J		
TOTAL		**$ -**

The cost analyst has reviewed the schedule of other fees and determined the items and the total cost to be reasonable. The underwriter concurs.

Bond Premium / Assurance of Completion

<< Provide narrative discussion of either construction bond – bonding company, contractor's bond capacity, etc. – or the Assurance of Completion escrow – 15% or 25% of contract, cash or letter of credit, etc.>>

Identities of Interest

<< Describe any identities of interest between entities or principals including the general contractor, subcontractors, the architect, and mortgagor, operator, or management agent and the effect or mitigation of the effect on the project. >>

Unusual Site Improvements

<< Describe unusual site improvements and applicable costs, if any. >>

Architect's Fees

<< Provide narrative describing architect fees (design / supervision). The Owner-Architect Agreement (AIA document ~~B181~~B108 with HUD Addendum) sets a total design fee of $xxx and

a construction supervision fee of $xxx, for a total contract amount of $xxx. The design fee currently represents X percent of the total architectural fee and X percent of the total cost of total structures, land improvements, and general requirements. The construction supervision fee is X percent and X percent of the same, respectively.

Confirm there is not an identity of interest between the mortgagor and the architect or if there is, discuss the separate supervising architect and his/her ~~B181~~B108 . Confirm if the cost analyst and underwriter find the architectural fees to be reasonable in total and for the cost of design/supervision. >>

Other Fees

Schedule of Other Fees to be paid by Mortgagor

Line	Description	Amount
A	Survey - Land and Final "As Built"	
B	Building Permits	
C	Soils Report	
D	Traffic Study	
~~E~~	~~Impact Fees~~	
F	Hook-up Fees	
G		
H		
I		
J		
TOTAL		**$ -**

Field Code Changed

Line	Description	Amount
A	Survey - Land and Final "As Built"	
B	Building Permits	
C	Soils Report	
D	Traffic Study	
E	Impact Fees	
F	Hook-up Fees	
G		
H		
I		
J		
TOTAL		**$ -**

The cost analyst has reviewed the schedule of other fees to be paid by the mortgagor and determined the items and the total cost to be reasonable. The underwriter concurs.

Off-Site and Demolition

<< Describe any off-site work to be accomplished and who will be performing the work. If the General Contractor is responsible, describe the cost attributed to it and the cost reviewer's conclusions about the work and the cost. If the city will be performing the work, describe any cost or hookup fee related.

Describe any demolition that may apply; discuss costs and any other requirements or issues. >>

Major Movable Equipment

<< The borrower has provided a major movable list and budget totaling $XXX,XXX. This equates to approximately $X,XXX per unit and appears reasonable. (If true) provide affirmative statement confirming that the cost analyst found the list acceptable and the budget is reasonable. The underwriter concurs with the analyst's conclusion or provide justification for any differences. The underwriter notes that a copy of the major movable list is included as an exhibit to the Draft Firm Commitment submitted with this package. >>

Conclusion

<< Provide lender's conclusions and wrap up of the cost review. Reiterate if any of the cost analyst's conclusions were modified and justified in the lender's underwriting. >>

Market Analysis

<<If Unchanged from initial submission, state so. If a revised market study is provided, insert the Market Analysis section required for the Initial Submission narrative here.>>

Appraisal

<<If a revised appraisal is provided, substitute the Appraisal section required for the Initial Submission narrative for this Appraisal section>>

Date of Valuation: ______________________________

Appraisal Firm: ______________________________

Appraiser: ______________________________

License # / State: ______________________________

Summary of the appraisal and underwriting conclusions:

Market Value Summary		
Approach	Appraisal	Underwriter
Income Comparison Cost		
Conclusion:		

Lender Modifications

<<Identify or state unchanged from initial submission>>

Hypothetical Conditions and Extraordinary Assumptions

<<Identify or state unchanged from initial submission>>

Income Capitalization Approach

Overview

Income Approach Summary		
	Appraisal	Underwriter
Gross Income Occupancy Rate:		
Effective Gross Income: Expenses (incl. Repl. Res.):		
Net Operating Income: Capitalization Rate:		
Indicated Market Value:		

<<Discuss any modifications to the previous underwriting>>

Sales Comparison Approach

<<Discuss any modifications to the previous underwriting>>

Cost Approach

Overview

Cost Approach Summary		
	Appraisal	Underwriter
Total for All Improvements: Carrying Charges and Financing: Legal, Organization, Cost Cert: Marketing Allowance: Major Movable Equipment: Entrepreneurial Profit: Land Value:		
Indicated Market Value:		

Total for All Improvements

<<Provide narrative discussion.>>

Carrying Charges and Financing

<<Provide narrative discussion.>>

Legal, Organization, and Cost Certification

<<Provide narrative discussion.>>

Marketing Allowance

<<Provide narrative discussion.>>

Major Movable Equipment

<<Provide narrative discussion of assumptions and conclusion. Address discrepancies between appraiser and needs assessor. Identify the total value of the major movables, as if new. ~~This value~~Value of Major Movable Equipment will be ~~deducted from the market value used~~listed as a separate line item on the Property Insurance Schedule, Form HUD-92329, and ~~shown~~included as a ~~separate line on~~part of the ~~schedule~~100% Insurable Value. Additionally, address ownership of the major movable equipment (e.g., Mortgagor or Operator).>>

Land Value

<<Discuss any modifications to the previous underwriting>>

Economic Life

<<Discuss any modifications to the previous underwriting>>

Initial Operating Deficit

<<Provide a detailed narrative discussion of assumptions and conclusion. Include a discussion of the Mortgagor/Operator/Management's operating deficit; the appraiser's; and, the lender's analysis.>>

Reconciliation

<<Provide narrative discussion of how the value approaches were reconciled to reach the final conclusions. The statement may be simple. For example, "As demonstrated in the Appraisal Overview section above, the underwritten value conclusion is based on the income approach to value." If the value conclusion is based on weighting multiple approaches provide an explanation of the rationale. The value used for criterion 3 of the form HUD-92264-A will be the lesser of: (a) Total Estimated Replacement Cost; and, (b) the Fair Market Value.>>

ALTA/ACSM Land Title Survey

Date: ______________________________

Firm: ______________________________

Key Questions

	Yes	No
1. Are there any differences between the legal description on the survey and legal description included in pro forma title policy?	____	____
2. Are there any revisions or modification required to the survey prior to closing?	____	____
3. Does the survey indicate any boundary encroachments?	____	____
4. Does the survey evidence any buildings encroaching on utility or other easements or rights-of-way?	____	____
5. Do any buildings encroach on either the 100- or 500-year flood plains?	____	____

	Yes	No
6. Do any buildings or improvements encroach on wetland areas or their buffer zones?	____	____
7. Are there any unusual circumstances or items that require special attention or conditions?	____	____

If you answer “yes” to any of the above questions, please address below.

Pro-forma Policy

Date/Time: ______________________________

Firm: ______________________________

Policy Number: ______________________________

Key Questions

	Yes	No
1. Is the title vested in an entity or individual other than the proposed Mortgagor?	____	____
2. Are there any covenants, ~~conditions, and~~encumbrances,liens, restrictions or other exceptions indicated on Schedule B-1?	____	____
3. Are there any use or affordability restrictions remaining in effect on the property?	____	____
4. Are there any easements or rights of way listed that are not indicated on the Survey?	____	____
5. Are there any endorsements included aside from the standard HUD ~~requirement~~requirements?	____	____
6. Are there any subordination agreements, encroachments, or similar issues that require HUD’s approval?	____	____
7. Are there any other matters requiring special consideration, agreements, or conditions that require HUD’s attention?	____	____

If you answer “yes” to any of the above questions, please address below.

Environmental

<<Discuss any modifications/updates to the previous underwriting>>

Mortgagor – <<Name>>

<<Discuss any modifications/updates to the previous underwriting>>

Principals of the Mortgagor

<<Discuss any modifications/updates to the previous underwriting>>

Operator – <<Name>>

<<Discuss any modifications/updates to the previous underwriting>>

Parent of the Operator – <<Name>>

<<Discuss any modifications/updates to the previous underwriting>>

Management Agent – <<Name>>

<<Discuss any modifications/updates to the previous underwriting>>

General Contractor

Name:	____________________
State of Organization:	____________________
License No. / State:	____________________
Surety:	____________________

Key Questions

	Yes	No
1. According to the application exhibits, is or has the General Contractor been delinquent on any Federal debt?	____	____
2. According to the application exhibits, is or has the General Contractor been a defendant in any suit or legal action?	____	____
3. According to the application exhibits, has the General Contractor ever claimed bankruptcy or made compromised settlements with creditors?	____	____
4. According to the application exhibits, are there judgments recorded against the General Contractor?	____	____
5. According to the application exhibits, are there any unsatisfied tax liens?	____	____
6. Is the general contractor a joint venture?	____	____
7. If the General Contractor is a subsidiary of another entity, are they relying upon the parent to demonstrate financial capacity? (If yes, provide financial analysis of parent)	____	____

If you answer "yes" to any of the above questions, identify the risk factor and how it is mitigated below.

Experience / Qualifications

<< Narrative description of General Contractor's experience and qualifications. Discussion should highlight the contractor's experience constructing similar type and size projects. It should discuss the architectural and cost reviewer's analysis of the contractor's experience, bonding capacity, financial capacity, etc. >>

Credit History

Report Date:	<<within 60 days of submission>>
Firm:	<<Dunn & Bradstreet or other *acceptable* commercial credit report for business entities >>
Score:	

Key Questions

	Yes	No
1. Does the credit report identify any material derogatory information not previously discussed?	____	____
2. Does the underwriter have any concerns related to their review of the credit report?	____	____

If you answer "yes" to any of the above questions, identify the risk factor and how it is mitigated below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic.>>

Other Business Concerns/232 Applications

	Yes	No
1. Does the General Contractor identify any other business concerns?	____	____
a. Do any of the other business concerns have pending judgments; legal actions or suite; or, bankruptcy claims?	____	____
b. Do the credit reports on the 10% sampling of the other business concerns indicate any material derogatory information?	____	____

If you answer "yes" to any of the above questions, identify the risk factor and how it is mitigated below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic. Example:

Other Business Concerns:
XXXXX identified XX other business concerns. The underwriter reviewed Dunn and Bradstreet credit reports for XX Other Business Concerns identified by XXXX. {discuss each report}…. No reports indicated derogatory information that would prohibit XXXXX participation in this loan transaction.

Financial Statements

The application includes the following General Contractor financial statements:

Year to date:	<<dates for start and end of period>>
Fiscal Year Ending:	<<date – end of period>>
Fiscal Year Ending:	<<date – end of period>>
Fiscal Year Ending:	<<date – end of period>>

Key Questions:

	Yes	No
1. Are less than 3-years of historical financial data available for the General Contractor?	____	____
2. Are the financial statements missing any required information or schedules?	____	____
3. Is there a pattern of significant downward income prior to depreciation over the years as demonstrated in the General Contractor's Income & Expense statements?	____	____
4. Do the Aging of Accounts Payable schedules show significant payables in excess of 60 days?	____	____
5. Did your review and analysis of the financial statements indicate any other material concerns or weaknesses that need to be addressed?	____	____

		Yes	No
6.	Does the Contractor have less than the required 5% adjusted working capital?	____	____

If you answer “yes” to any of the above questions, identify the risk factor and how it is mitigated below.

<<For each “YES” answer above, provide a narrative discussion regarding the topic. If not applicable, indicate “NA” in the No column.

Example:
Item 6 – Contractor has less than 5% working capital. Contractor may hypothecate fixed assets. The contractor has a sale pending on another building that they have constructed. Lender will provide evidence prior to closing that funds are available to meet the 5% working capital.

General Review
<<Provide Narrative and analysis of financial statements as appropriate. In addition to the Key Questions above, net working capital should be discussed along with the general financial stability and strength of the entity.>>

Working Capital Analysis

<<Provide Narrative and analysis of contractor’s working capital. Analysis should discuss appropriate adjustments to current assets and liabilities; how you account for work-in-progress; lines-of-credit; verifications of deposit; etc.>>

Conclusion

<<Provide narrative discussion of underwriter’s conclusion and recommendation. For example, “The General Contractor has demonstrated an acceptable financial and credit history. The General Contractor has the experience to continue to complete the construction. The underwriter recommends this General Contractor for approval as an acceptable participant in this transaction.”>>

Operation of the Facility

Operating Lease

Date of Agreement:	____________________
Current Lease Term Expires:	____________________
Description of Renewals:	____________________
Current Lease Payment:	____________________
Major Movable Equipment Ownership:	<<Mortgagor / Operator>>

Key Questions

		Yes	No
1.	Does the lease contain any non-disturbance provisions?	____	____
2.	Does the lease require the Mortgagor to escrow any funds other than those associated with this loan?	____	____

If you answer “yes” to any of the above questions, please address below.

<<For each “YES” answer above, provide a narrative discussion regarding the topic.>>

Lease Payment Analysis

The lease payments need to be sufficient to (1) enable the lessor to meet debt service and impound requirements; and, (2) enable the lessee to properly maintain the project and cover operating expenses. The current leases indicate an aggregate rent payment of $XX per month ($XX annually) above the payments required by the FHA-insured loan.

The underwriter has prepared an analysis demonstrating the minimum acceptable lease payment.

a.	Annual Principal and Interest	$	-
b.	Annual Mortgage Insurance Premium		-
c.	Annual Replacement Reserves		-
d.	Annual Property & Liability Insurance		-
e.	Annual Real Estate Taxes		-
f.	Total Debt Service and Impounds	$	-
g.	% of Net Income Available for Debt Service		90.0%
h.	Programs Debt Service Coverage		1.111
i.	**Minimum Annual Lease Payment**	**$**	**-**
j.	Annual Return on Lease	$	-
k.	Net Operating Income (NOI)	$	-
l.	Adjusted NOI (k+c+d+e)	$	-
m.	Operator's Coverage	#DIV/0!	

Field Code Changed

a.	Annual Principal and Interest	$	-
b.	Annual Mortgage Insurance Premium		-
c.	Annual Replacement Reserves		-
d.	Annual Property & Liability Insurance		-
e.	Annual Real Estate Taxes		-
f.	Total Debt Service and Impounds	$	-
g.	% of Net Income Available for Debt Service		90.0%
h.	Programs Debt Service Coverage		1.111
i.	**Minimum Annual Lease Payment**	**$**	**-**
j.	Annual Return on Lease	$	-
k.	Net Operating Income (NOI)	$	-
l.	Adjusted NOI (k+c+d+e)	$	-
m.	Operator's Coverage	#DIV/0!	

The lease payment as currently proposed in the lease would amount to $XX ($XX per year + $XXX for debt service and impounds). The lease payment should be increased to $xx per year ($XXX per month) plus the total debt service and impound amounts required by the FHA-insured loan. The underwriter has included a special condition to the firm commitment requiring the lease payment be revised to meet or exceed this minimum. The recommended annual lease payment also provides the operator with an acceptable profit margin.

Responsibilities

<<Provide a description of the responsibilities of the Lessor and Lessee under the terms of the lease with regard to the following: payment of real estate taxes; maintenance of building; capital improvements; replacement of equipment; property insurance; etc.>>

HUD Lease Provisions

Prior to closing, the lease needs to be modified by attaching the HUD Operating Lease Addendum to include the appropriate HUD requirements, including:

1. Contain a restriction against ~~its~~ assignment or subletting without HUD prior approval;
2. Requires prior written approval by HUD for any modification in bed authority;
3. Requires the lessee to submit financial statements to HUD within ~~60~~90 days of the close of the facility's fiscal year;
4. Designates the lessee as having the responsibility to seek and maintain all necessary licenses and provider agreements including Medicaid and Medicare.
5. Requires the lessee to submit a copy of the licenses and provider ~~agreement~~agreements to HUD.
6. Requires the ~~mortgagor/lessor~~lessee ensure that the facility meets State licensure requirements and standards.

Accounts Receivable (A/R) Financing

A/R Lender: ____________________

A/R Borrower: ____________________

Current Balance: ____________________

Current Maturity Date: ____________________

A/R Facility List: (list all facilities that are involved with A/R loan, including facility name, location (city/state), and whether or not they are FHA-insured):

Key Questions

	Yes	No
1. Does the A/R financing require any guarantees from the Owner, Operator, or Parent of the Operator?	____	____
2. Does the A/R financing involve multiple facilities and/or borrowers?	____	____
a. Does the A/R financing involve any non-FHA-insured properties?	____	____
b. Does the A/R financing involve facilities located in multiple States and/or HUD jurisdictions?	____	____
3. Is there an identity of interest between the A/R Lender and the A/R Borrower?	____	____
4. Is there any conflict of interest between the A/R Lender and the Mortgagor or its principals?	____	____

	Yes	No
5. Does the maximum A/R loan amount exceed 85% of the Medicaid and Medicare accounts receivable less than **121** days old? (OIHCF Director may approve waiver from 120 days to 150 days if justified. OIHCF HQ must approve waiver over 150 days for special or unique circumstances.)	____	____
6. Are more than 30% of Medicaid and Medicare accounts receivable over 90 days old?	____	____
7. Does the AR Lender have less than 3 years experience in providing AR financing?	____	____
8. Does the AR Lender lack the financial controls and capability to monitor the Operator's performance?	____	____
9. Are the Mortgagor and Operator out of compliance with any business agreements with HUD? (i.e., in default on those agreements, not current on financial submissions, etc.)	____	____

For each "YES" answer above, provide a narrative discussion below describing the risk and how it is mitigated:

Details on Question 5 & Question 6 above: Accounts Receivable Aging

Field Code Changed

	0-90 days	91-120 days	121-150 days	151+ days	% 91+ days
Medicare					
Medicaid					
Other Govt					
Subtotal	$ -	$ -	$ -	$ -	
Non-Govt*					
Total	$ -	$ -	$ -	$ -	

*Non Govt. is not considered when determining HUD's maximum A/R loan amount.

#DIV/0!	of Medicare, Medicaid, and Other Government A/R less than 121 days old is over 90 days old.
$ -	HUD Maximum A/R Loan Amt = 85% of Medicare, Medicaid, and Other Govt A/R 120 or less days old.
	A/R Lender Maximum Loan Amount

	0-90 days	91-120 days	121-150 days	151+ days	% 91+ days
Medicare					
Medicaid					
Other Govt					
Subtotal	$ -	$ -	$ -	$ -	
Non-Govt*					
Total	$ -	$ -	$ -	$ -	

*Non Govt. is not considered when determining HUD's maximum A/R loan amount.

#DIV/0!	of Medicare, Medicaid, and Other Government A/R less than 121 days old is over 90 days old.
$ -	HUD Maximum A/R Loan Amt = 85% of Medicare, Medicaid, and Other Govt A/R 120 or less days old.
	A/R Lender Maximum Loan Amount

Terms and Conditions

<< Provide a description of pertinent terms and conditions of A/R loan. Also explain the mechanisms for operator receipts, disbursements and control of operator funds~~>>~~, and attach cash flow chart. >>

Terms and Conditions:

1. Maximum amount of advances available during the term: $_________________.
2. Advances are limited to: (describe how maximum advance is determined)_____.
3. Term: ________.
4. Payment Terms: Interest Only, etc

Mechanisms for Operator receipts, disbursements and control of operator funds:

> ***PROGRAM GUIDANCE:***
> *Borrower shall maintain and pay for a ~~Lock Box~~Controlled Account mutually satisfactory to borrower and lender for borrower's cash collections. There shall be no material change in borrower's business or financial condition. There shall be no material default in any of Borrower's obligations under any contract or compliance with applicable laws. Lender shall receive an opinion from borrower's ~~counsel satisfactory to lender. For so long as lender has this loan outstanding to the borrower, lender shall have a first right of refusal to make further loans to the borrower on the same terms and conditions as offered by any other party.~~ or operator's counsel satisfactory to lender. .*

Collateral / Security

<< Narrative description of the A/R lender's collateral / security.>>

Permitted Uses and Payment Priorities

<< Provide a description of the permitted uses and payment priorities of A/R loan funds.>>

> ***PROGRAM GUIDANCE:***
> *Attachment C of Notice 08-09, Rider to Intercreditor, para. 3 – states in part the following:(i) first, to pay current debt service obligations to AR Lender, (ii) second, to pay Lessee's costs of operations including, but not limited to, rent and all other payment obligations due under its Lease with Landlord, payroll and payroll taxes, ordinary maintenance and repairs and management fees ("**Current Operating Costs**") and (iii) ~~(~~third~~)~~ after the payment of Current Operating Costs, subject to applicable restrictions in the AR Lender Loan Documents and Lessee Regulatory Agreement, AR Advances may be distributed to Lessee's shareholders, partners, members or owners, as the case may be.*

Costs

<< Provide a description of the cost of A/R loan. List all fees associated with the A/R financing and indicate whether they are one-time charges or ongoing. Indicate if there any fees associated with unused portion of the loan. Also, provide an analysis demonstrating that the Operator can support the additional financial expenses of the A/R loan. NOTE: A/R loan costs are to be included in the underwritten operating expenses for determining debt service coverage. Identify the total A/R loan costs used in underwriting and the line item on the 92264, which includes this cost.>>

Historical A/R Loan Costs
(total $)

2006	2007	2008	YTD	2006-2008 Average	UW
2006	2007	2008	YTD	2006-2008 Average	UW

Field Code Changed

Recommendation

<< Lender's recommendation with regard to acceptance of A/R financing>>

Insurance

Professional Liability Coverage

Name of Insured: ____________________

Insurance Company: ____________________

Rating: ________ Rater: ____________________

Authorized surplus lines carrier in project state: ☐ Yes ☐ No

Statute of Limitations: ____________________

Planned Coverage: Per Occurrence: ____________________

Aggregate: ____________________

Deductible: ____________________

Policy Basis: ☐ Per occurrence ☐ Claims made

Policy Premium: ____________________

Key Questions

	Yes	No
1. Will the insurance policy cover multiple properties? If yes, complete a – e below.	____	____
a. Is less than 6 years of loss history available?	____	____
b. Does the loss history indicate a professional liability claims over $35,000?	____	____
c. Does the loss history or potential claims certification indicate any uncovered claims?	____	____
d. Does the loss history or potential claims certification indicate any claims that would exceed the per occurrence or aggregate coverage limits?	____	____
e. Have the facilities been covered by a "claims made" policy at any time during the statute of limitations for the State in which the facilities are located?	____	____
2. Is the policy funded on a "cash front" basis?	____	____

If you answer "yes" to any of the above questions, please address below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic.

Examples:
Multiple properties: The underwriter notes that the professional liability policy is a ‘blanket’ policy covering XXX facilities, including the subject…{address potential impact of other facilities on the subject’s coverage}

Less than 6-year loss history: The claims history reports were examined for the period XX through XX. The underwriter determined that there were no professional liability XX claims during that period…{address claims and sufficiency of coverage, etc. based on history}.

Claims made coverage: The project’s previous professional liability insurance coverage was a “claims made” form policy with XXXX, which expired XXXX, when the current policy was put in place. In XXXX the borrower purchased a “nose coverage” policy which is the coverage needed when going from a “claims made” form of insurance to a “per occurrence” form of insurance. The premium for this “nose” coverage liability was a one time charge and was paid in XXX. Because of that additional insurance coverage, the insurance expense for XXXX was substantially higher than the current expense. The current “per occurrence basis” insurance policy covers the entire statute of limitations. The project’s professional liability insurance is in compliance with HUD’s requirements.
>>

Recommendation

<<Narrative recommendation regarding acceptability of professional liability insurance. For example, “The mortgagor’s professional liability insurance was analyzed in accordance HUD Notice H 04-01 and H 04-15. The property has XX current potential (threatened) insurance claims at this time as reflected on the certification provided by the borrower. It is {lender}’s opinion that the information provided above and in the application sufficiently demonstrates that the existing professional liability coverage meets HUD’s requirements and that the risk from professional liability issues is sufficiently addressed. No modifications to the current coverage are recommended.”>>

Property Insurance

<<Narrative discussion of review. For example, “Hazard and Liability insurance will be provided by XX. The underwriter has confirmed estimates of the cost and coverage for underwriting and will comply with HUD requirements prior to occupancy.”>>

Builder’s Risk

<< If contractor is paying, show in contractor’s other fees. If mortgagor is paying, show in mortgagor’s other fees. Must meet the requirements of 92447. >>

Fidelity Bond / Employee Dishonesty Coverage

<<Narrative discussion of review. For example, “The current insurance policy reflects fidelity (crime) insurance with the limit of $XX and $XX deductible. The HUD requirement for at least two months gross income receipts would total $XX. The current level of coverage is sufficient for this project.” If not sufficient, recommend commitment condition.>>

Mortgage Determinants

Overview

The mortgage criteria shown on the form HUD-92264-A are summarized as follows:

	Initial	Final
Fair Market Value:		
Replacement Cost:		
Debt Service:		
Requested Amount:		

The proposed mortgage is $XX and is constrained by XXX.

Mortgage Term

A mortgage term of 40 years.

Type of Financing

The type of financing available to the mortgagor upon issuance of the commitment will likely be in the form of XXXX.

Fair Market Value Limit

The $XX fair market value limit was calculated in accordance with HUD guidelines. This is based on x% of the underwriter's value of $X. No deductions for ground leases, grants or loans, excess unusual site improvements, cost containment, or special assessments are applicable to this project.

Replacement Cost Limit

The $XX fair market value limit was calculated in accordance with HUD guidelines. This is based on x% of the underwriter's value of $X. No deductions for ground leases, grants or loans, excess unusual site improvements, cost containment, or special assessments are applicable to this project.

Debt Service Limit

The $XX debt service limit was calculated using HUD's guidelines. This is based on x% of the underwriter's net operating income of $X, interest rate of XX% and a XX-year term. The proposed mortgage is constrained by XXXXX; therefore, the underwritten debt service coverage is XX, which is X% of the estimated net operating income for debt service and MIP payments.

Deduction of Grants, Loans, and Gifts (Criterion 11)

The Criterion 11 limit was calculated in accordance with HUD guidelines as follows:

a.	Total Estimated Replacement Cost of Project as Depreciated	$ ________
b.	(1) Grants/loans/gifts	________
	(2) Tax Credits	________
	(3) Value of Leased Fee	________

	(4) Excess Unusual Land Improvement Cost	
	(5) Unpaid Balance of Special Assessment	
	(6) Sum of Lines (1) through (5)	$
c.	Line a. minus line b. ()	$

The secondary sources are discussed in detail below in the Sources & Uses section of the narrative.

Program Guidance
The grants, loans, gifts, and tax credits to be deducted under Criteria 11 are those credits for FHA mortgageable cost only. Sources for non-mortgageable cost are not included in the Criterion 11 calculations and are also not reflected in any of the other criterion on Form HUD-92264-A. The sources and uses statement provided by the mortgagor should outline all mortgageable and non-mortgageable costs and the source(s) to fund each.

Sources & Uses

<<Provide a statement of Sources and Uses of actual estimated cost at closing. Include all eligible and ineligible costs.>>

Secondary Sources

<<List and discuss all secondary sources, including terms and conditions of each. Secondary sources include Surplus Cash Notes, Grants/Loans, Tax Credits, and the like. Demonstrate compliance with HUD limits on private sources. Remember that Criterion 11 is applicable to mortgage sizing.>>

Program Guidance

Government Sources

a. Secondary financing, grants and tax credits from a Federal, State, or local government agency or instrumentality, may be used to cover up to 100% of the applicable Section of the Act equity requirement.

b. Secondary financing, grants, and tax credits from a Federal, State or local government agency or instrumentality, may also be used to finance non-mortgageable costs. Such funds covering non-mortgageable cost, when added to the HUD mortgage and required equity contribution may exceed 100% of the project's Fair Market Value (FMV) or Replacement Cost.

c. Subordinated liens against the property that result from secondary loans from a Federal, State or local governmental agency or instrumentality to cover non-mortgageable costs and/or equity, in combination with HUD's primary lien, may exceed 100% of the property's FMV or Replacement Cost.

d. Non-mortgageable costs or non-HUD replacement cost items, covered by secondary loans, grants and tax credits must be certified by the source provider to be required to complete the project and that the related costs are reasonable. Documentation to this effect must be included with the application submission.

Private Sources

1. Secondary financing in the form of a promissory note is permitted to cover a portion of the equity requirement under Section 223(f). The aggregate amount of the FHA insured first loan and the private second loan cannot exceed 92.5% of FMV. Therefore, the amount of a private loan may range from 7.5% of FMV (the difference between 85% and 92.5% of FMV) to a larger percentage if a mortgage criterion is lower than 85% of FMV controls. This rule also applies to Sections of the Act that are pursuant to Section 223(f), i.e., Section 232 pursuant to Section 223(f). However, this allowance should not be used to circumvent our existing policies which do not permit equity take-out on Section 232 refinance transactions or on purchase transactions, a way to finance costs that otherwise would not be permitted. For example, seller take backs on property acquisition costs that are not supportable by market data should not be approved.
2. When private secondary financing is combined with Federal, State or local government agency secondary financing, like in #1 above, the aggregate amount of the HUD insured first loan and the private second loan cannot exceed 92.5% of FMV. However the governmental loan, in aggregate with the HUD first and private second, may exceed the property's FMV. The addition of the governmental loan may result in total liens that exceed the property's FMV.
3. Private secondary financing may be used to cover nonmortgageable costs in combination with equity or solely for one purpose or the other. Whatever option is decided upon, as stated under #1 above, the aggregate of the HUD first and private second cannot exceed 92.5% of FMV.
4. Non-mortgageable costs or non-HUD replacement cost items, covered by secondary financing from private sources must be certified to be reasonable and required to complete the project by the provider of sources in documentation included with the application submission.

Other Uses

<<Discuss any Uses not previously discussed in this narrative.>>

Working Capital

A working capital escrow totaling 2% of the mortgage amount, $XXX will be escrowed at closing.

Minor Movables

An escrow totaling $XXX will be escrowed at closing to fund the acquisition of minor movables, such as flatware, linens, dishes, etc. This amounts to $XXX per bed and was based on the developer's budget.

Special Commitment Conditions

A. <<List all recommended special conditions. If none, state "None." Also discuss any special conditions that have been satisfied or modified with the final submission.>>

Conclusion

<<Narrative conclusion and recommendation>>

Signatures

Lender: ______________________________

HUD Mortgagee Number: ______________________________

This report was prepared by:	Date	This report was reviewed by:	Date
<<Name>> <<Title>> <<Phone>> <<Email>>		<<Name>> <<Title>> <<Phone>> <<Email>>	